

U.S. NEWS

Cities Take On Utility Role

Chicago and Other Communities Buy Cheaper, Often Cleaner Energy for Residents

BY MARK PETERS
AND REBECCA SMITH

More U.S. cities are jumping into the electricity-buying business, in an effort to capture cheaper—and often cleaner—power available through the open market.

Chicagoans passed a ballot measure last week that authorizes the city to buy bulk power on behalf of residents and small businesses, no longer leaving it up to the local utility. The move makes Chicago the largest U.S. city to start buying consolidated power, a growing trend known as community aggregation.

Community aggregation has been around for a while, but only now is it attracting large numbers of participants. While big energy users have been tapping the open market since electricity retail markets were deregulated a decade ago in many states, the latest moves by cities and towns to give consumers a chance to reap the benefits without having to negotiate prices themselves.

Some communities are using aggregation as a way to buy energy from renewable sources, but in many cases, municipalities continue to get their energy from traditional producers while supporting cleaner energy by buying credits from wind, solar and other generation projects. These credits, which are sold on a secondary market, allow renewable generators to capture additional revenue.

San Francisco and Cincinnati are among the other U.S. cities using aggregation. Cincinnati officials estimate the typical household there saves about 26% on their kilowatt-per-hour rate for electricity, or an average of about \$133 a year.

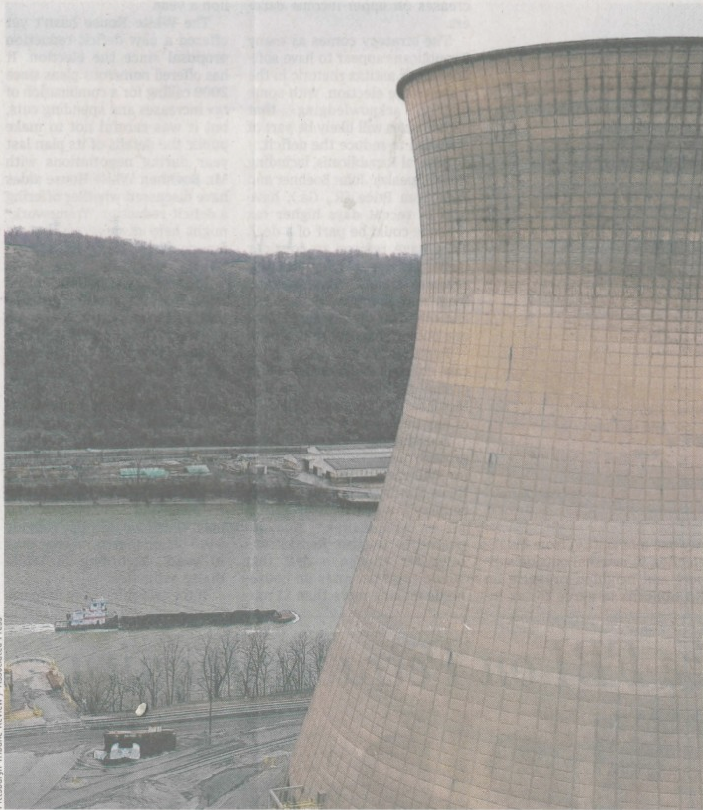
Even in places that don't aggregate, consumers have seen their power bills decline in recent years. Electricity prices have fallen as the cost of power-plant fuels, such as natural gas, have declined sharply, and the sluggish economy has led to lower demand for energy.

Despite the growing trend, community aggregation has faced some opposition. Some Illinois communities have rejected it, in part because of the complexity of the programs and concerns over municipal governments wading into energy markets, state and local officials say.

In San Francisco, Mayor Edwin Lee opposed a program because of concerns residents would automatically be enrolled, getting cleaner power but possibly at higher rates. Mr. Lee said he would prefer a purely voluntary "opt in" program that left the initial decision up to individual households. But the city's board of supervisors approved the program in September.

"While I enthusiastically support expanding our clean-energy resources, I continue to have serious concerns about enrolling San Franciscans into a program without their initial consent that coerces them to pay a premium," Mr. Lee said this fall.

Like in San Francisco, Chicago



A coal barge makes its way to Bruce Mansfield Power Station in Shippingport, Pa., that is operated by FirstEnergy. The city of Cincinnati purchases power for its residents from the supplier.

residents automatically will be enrolled, unless they opt out, and city officials estimate a large majority will participate.

In Illinois, existing rules and the short-term nature of power contracts are raising concerns that aggregation will do little to spark renewable projects. But already in Illinois 165 municipalities have made the switch to locally purchased power or have submitted requests to utilities, and nearly 200 others voted last week in favor of starting aggregation programs like Chicago.

One consumer group estimates Chicago's plan could cut monthly bills by nearly 30%.

Under Chicago's plan, the city will negotiate the commodity cost of electricity with suppliers such as power-plant owners and commodity trading firms. That cost typically makes up about two-thirds of a consumer's or business's power bill. The remaining third of the total bill—the cost of distribution and delivery—wouldn't change, and goes to Commonwealth Edison Co., a utility owned by Exelon Corp.

Citizens Utility Board, a consumer advocacy group, estimates

Chicago's plan could cut monthly bills by nearly 30%. The current rates Chicago residents pay include legacy contracts negotiated before a sharp drop in power prices triggered in part by the weak economy.

Expiration of those contracts next spring would deliver similar savings, but David Kolata, executive director of the Chicago utility board, estimates negotiating the deals earlier could result in more than \$100 in total savings for a typical household over the first five months of 2013.

"There is an element of community control here. Energy is a big expense," he said.

Anne Pramaggiore, chief executive of Commonwealth Edison, said her utility supports local buying efforts. It wouldn't lose anything because it handles only distribution, which wasn't affected by Illinois's 1997 deregulation law that opened power generation to competition.

Those most likely to lose out as cities handpick their electricity suppliers, experts say, are companies that produce electricity from dirtier sources, such as coal-fired power plants, which are sometimes shunned by cities. But they likely will find other buyers for their electricity.

Already, some communities are using aggregation to support renewable energy. Cincinnati signed contracts this year that lowered rates and require its

supplier to purchase credits that benefit wind and other cleaner projects across the country.

In Marin County, Calif., about 90,000 homes and businesses now get their electricity from the Marin Energy Authority, which gives customers a choice of electricity plans that are 50% to 100% renewable—beating state goals for utilities to obtain a third of their electricity from clean sources by 2020.

As of July, the Marin agency's residential customers paid an average of \$3.85 a month more on a typical \$93 bill to get energy that was 50% renewable, compared with what they had paid the big utility. The agency said its costs are lower, but the utility imposes an "exit fee" of about \$5 a month on customers who switch. Still, some residents say they are happy to pay more to get a cleaner product.

San Francisco's program initially will enroll about 27% of residents in a 100% renewable-energy program, bypassing electricity currently furnished by PG&E Corp. Pricing is will be determined in the next couple of months.

Charles Sheehan, spokesman for San Francisco's municipal utility, said: "We want to control our energy destiny. That's the impetus for this effort, plus the opportunity to reduce our greenhouse-gas footprint and incubate our own clean-energy industry."

Celebrating
The World's Greatest Love Story
Since 1837



TIFFANY & CO.

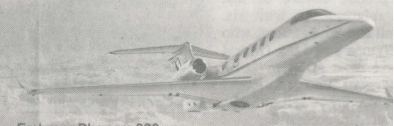
LEGENDARY FOR 175 YEARS

800 843 3263 | TIFFANY.COM

INTRODUCING ANOTHER AIRCRAFT IN THE NETJETS® SIGNATURE SERIES™

CONCEIVED BY OUR OWNERS, FOR OUR OWNERS.

Unlike any other, NetJets Signature Series™ aircraft will feature Customized Comfort with plush seating and reimaged cabinetry, an Advanced In-Flight Entertainment System that puts you in control and a Quiet Cabin that ensures you arrive refreshed and energized. At NetJets, we never stop innovating.



Embraer Phenom 300

NETJETS®
SIGNATURE SERIES™

SHARE | LEASE | CARD | CHARTER | MANAGEMENT

NETJETS.COM | 866.JET.6991

A Berkshire Hathaway company

All fractional aircraft offered by NetJets® in the United States are managed and operated by NetJets Aviation, Inc. Executive Jet® Management, Inc. provides management services for customers. Aircraft that are not fractionally owned, and provides charter air transportation services using aircraft from its managed fleet. NetJets Jet® Partners, Inc. sells the NetJets Jet® Card. NetJets Jet Card flights are operated by NetJets Aviation under its 14 CFR Part 135 Air Carrier Certificate. Each of these companies is a wholly owned subsidiary of NetJets Inc. ©2012 NetJets Inc. All rights reserved. NetJets, Executive Jet, Marquis Jet, and Marquis Jet Card are registered service marks of NetJets Inc.